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Recommendations of the Board of Auditors, 2000-2001

UNDP: Update on the implementation of the recommendations of the Board of Auditors for the biennium 2000-2001*

Note by the Administrator

Introduction

1. The present document contains an account of the steps taken by UNDP to address the concerns raised by the United Nations Board of Auditors in document A/57/5/Add.1, supplementing information presented in document DP/2003/6.

2. The document highlights the ongoing efforts made by UNDP to address the concerns raised by the Board of Auditors since the preparation of document DP/2003/6, which reflected actions taken up to early September 2002. It therefore provides up-to-date information on current UNDP follow-up efforts to implement the recommendations of the Board of Auditors to the end of December 2002. All the recommendations referred to here appear in document A/57/5/Add.1.

I. Financial issues

Recommendation in paragraph 23 as it relates to the United Nations Capital Development Fund (UNCDF)

3. At the second regular session of the Executive Board in September 2002, the Executive Secretary, UNCDF, made a comprehensive presentation of the Fund's

* The collection and analysis of current data required to present the Executive Board with the most up-to-date information has delayed submission of the present document.

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financial situation. He confirmed that efforts had been made and would continue to be made to reduce programme approvals and expenditure at levels commensurate with accumulated liquidities and income.

4. As a result, the level of new programme approvals was reduced to $9 million in 2002. As actual core contributions were lower than anticipated in 2002, UNCDF had to re-phase a significant portion of its programme expenditures down to $29 million, as compared to $32.8 million in 2001.

5. UNCDF will continue to monitor closely its financial situation in 2003 to ensure that its 2002 programme approvals and expenditures are commensurate with available resources. At the annual session of the Executive Board in June 2003, UNCDF plans to submit a proposal for the downward revision of its partial funding formula. The downward revision will reduce the authorized programme approval ceiling to a level that accounts for the fact that UNCDF no longer has a significant amount of accumulated liquidities, thus ensuring the financial integrity of the Fund at all times in a context of reduced accumulated resources.

6. On the income side, in its decision 2002/26, the Executive Board invited the international community to help to achieve the UNCDF core resources mobilization target of $30 million per year. The achievement of this target is considered necessary for UNCDF to reach a level of programme approvals and expenditures in the near future that can help to reduce the current sizeable gap between the demand of programme countries for its investments and capacity-building services in its two focus areas and its ability to respond.

Recommendation in paragraph 40 on long outstanding items in receivables

7. These outstanding items have been cleared.

Recommendation in paragraph 46 regarding the review of bank reconciliations

8. UNDP payroll accounts are being reconciled by the United Nations Accounts Group. The organization has received confirmation from the United Nations that UNDP payroll bank reconciliations are awaiting review by the United Nations Chief of Accounts. UNDP is following up to ensure that copies of the reconciliations are received by 31 January 2003.

Recommendation in paragraph 48 regarding the reconciliation of the Millennium system to the Integrated Management and Information System (IMIS)

9. The IMIS-Millennium reconciliation for 2001 is completed. IMIS-Millennium reconciliation for 2002 is being conducted on a monthly basis and will be completed by the closing of accounts in March 2003.

Recommendation in paragraph 51 on enhancing information of unidentified receipts

10. As at 30 November 2002, 65 country offices have access to Internet banking functionality; another 33 will gain access in early 2003. All other country offices are expected to have access by the end of 2003. The Treasury Division has established an investigations clerk post to focus attention on the investigation and resolution of unidentified receipts paid directly to headquarters accounts.

Recommendation in paragraph 54 related to the review of unliquidated obligations

11. The Comptroller's Division requires that each unit review its obligations regularly and submit certifications of valid obligations at year-end. The guidelines for 2002 have already been completed and are being issued to all certifying officers. UNDP will monitor compliance and take appropriate action against any certifying officers that fail to comply.

II. Management issues

Recommendation in paragraph 87 regarding guidance for the appointment of auditors for nationally executed expenditures

12. Draft guidelines have been communicated to country offices.

Recommendation in paragraph 92 regarding the establishment of standard terms of reference for nationally executed auditors and a mandatory checklist of the standard requirements to be sent to assist country offices

13. Draft standard terms of reference and a checklist have been communicated to country offices.

Recommendation in paragraph 109 regarding guidance to country offices on planning nationally executed expenditure audits and an agreed timeframe with the auditor by which the audit must be completed to meet UNDP reporting deadlines

14. Guidelines have been communicated to the country offices, including a suggested model contract for the provision of audit services.

Recommendation in paragraph 114, whereby country offices should provide headquarters with information on their evaluation of projects not subject to

nationally executed expenditure audits in order to utilize such information for risk-based assessments

15. Guidance has been provided to country offices on selecting projects for audit, including monitoring and evaluation information where projects are not selected for audits.

Recommendation in paragraph 120 regarding (a) the funding of audit costs in line with the policy in the Programming Manual *and (c) the cost-benefit of the audit in relation to project expenditure*

16. Regarding part (a), a draft revision has been submitted to the Bureau for Development Policy for their review; regarding and part (c), additional guidance has been provided to country offices.

Recommendation in paragraph 127 regarding the finalization of service level agreements with UNFPA and the United Nations Office for Project Services (UNOPS)

17. UNDP is now in the final stages of negotiations with relevant United Nations organizations that would lead to the finalization of service-level agreements. This final stage of negotiations encompasses agreements by the parties on the cost drivers for determining the charges for 2002-2003.

Recommendation in paragraph 129 regarding the stricter time frame for the reimbursement of services

18. The agreements currently being finalized establish better control over the timely payment of reimbursement charges.

Recommendation in paragraph 132 regarding formal agreements with United Nations organizations and the implementation of cost-recovery strategies for full cost-recovery of services rendered

19. UNDP is now in the process of circulating the draft revised approach to its country offices and United Nations organizations for comments. The current timetable is to finalize the revised guidelines during January 2003, for subsequent issuance and implementation effective February 2003.

Recommendation in paragraph 136 regarding the development of a suitable inventory control system

20. Work on replacing the HQINVENT, an inventory control system, has already taken place over the past two years. Pending the enterprise resource planning (ERP) system implementation and as an interim solution, UNDP is utilizing the Aperture system. A limited number of features have been added to the current functionality of the Aperture inventory system, including custody/disposal, which will contribute to enhancing controls. This has been in place since the beginning of November 2002.

Recommendation in paragraph 144 regarding the finalization and follow-up of outstanding activities by the United Nations Volunteers (UNV) on all the inactive sub-trust funds and fully funded arrangements to comply with the specific closure requirements included in the donor agreements

21. UNV has closed 32 trust funds; is in the process of closing six others that are awaiting year-end accounting entries; and has a further 21 to close pending feedback to be received from the donors. Of the full-funding arrangements, 34 have been closed, four are awaiting year-end accounting entries and 12 are pending feedback to be received from the donors. This will clear up all of the outstanding items in the two categories.

Recommendation in paragraph 154 regarding the segregation of duties between investment functions

22. The monitoring of credit risk, performance benchmarking, investment accounting and reconciliation have been reassigned from the Treasury Cash Management Section to the Treasury Operations Section to ensure necessary segregation of key functions. The Operations Section will be strengthened by the addition of a Deputy Manager of Operations position in early 2003.

Recommendation in paragraph 188 regarding the general controls surrounding IMIS

23. The staff for the dedicated Production Unit was selected in the fourth quarter of 2002 and is now operational. A lead manager for standards development was recruited in the fourth quarter of 2002; work has commenced in the first quarter of 2003. The Project Practices and Management Unit has been established and standards/procedures are under development.

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UNDP Business Plans, 2000-2003

Report on the implementation of the Business Plans 2000-2003

I. The transformation of UNDP

1. The Administrator's Business Plans 2000-2003 laid out elements of the transformation needed for UNDP to meet the new development challenges that have emerged in the past decade and make the greatest possible contribution to human development and poverty eradication in order to help to achieve the Millennium Development Goal of halving extreme poverty by 2015.

2. The Administrator's Business Plans 2000-2003 articulate the UNDP strategy in five areas (policy, partnerships, people, performance and resources). Since 2000, a number of core and externally–funded, project-related initiatives have been implemented to drive change in each of the five areas, with a view to achieving:

(a) Strengthened policy capacity;
(b) Expanded partnerships within the United Nations and with external actors and institutions;
(c) Enhanced competencies of UNDP staff;
(d) Greater efficiency, and
(e) An expanded base for UNDP development resources.

3. The agenda for transformation set forth at the beginning of the Millennium is now taking hold and is visible in the way the organization conducts its business and aligns its resources behind its mandate. UNDP is becoming a practice-oriented, knowledge-driven organization. Its outward-looking, more accountable approach has changed its relationships with both development partners and programme countries. UNDP is also making its voice heard advocating and acting on the

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Millennium Development Goals (MDGs). From an internal point of view, the organization has integrated learning and accountability for performance more coherently in its development agenda, while focusing on meeting its own performance targets.

4. To measure the progress of transformation, the Administrator's Business Plans 2000-2003 contained a transformation scorecard. The indicators proposed in the scorecard have been substantially improved, resulting in a more balanced and measurable set of lag and lead indicators. A fully fledged balanced scorecard was introduced in 2001 and has now been distributed to all country offices and headquarters units to help UNDP to translate its strategy in operational terms and become a truly strategy-focused organization. The positive trends observed in the 2002 corporate balanced scorecard report (see www.undp.org/execbrd/index.htm) further validate the turnaround initiated by the organization.

5. With 929 staff members based at headquarters as opposed to 1 160 at the beginning of 2000, UNDP has progressively transformed itself into a field-oriented, decentralized, networked and service-focused organization. Eighty dedicated policy specialist positions in the Bureau of Development Policy (BDP) were relocated from headquarters to nine sub-regional resource facilities (SURF) – Addis Ababa, Bangkok, Beirut, Bratislava, Dakar, Pretoria, Kathmandu, Panama City and Port-of-Spain – where they provide high-quality, demand-driven support to all UNDP country offices. The change in the staffing profile of BDP has been particularly significant – of the original 100 staff funded from the regular (core) budget and the Global Programme in 2000, only 20 remained by year-end.

6. From supporting a wide array of development themes and sectors, UNDP began to sharpen its focus on six priority areas – democratic governance, poverty reduction, crisis prevention and recovery, information and communication technology, energy and environment and HIV/AIDS. These six priority areas have become UNDP practice areas, as a key part of a larger effort to build an ever-stronger internal culture where all staff share knowledge and ideas on a systematic and global basis. Thematic trust funds have been introduced for each of the practice areas in order to promote the development of signature products and services. UNDP staff are building specialized expertise around these practice areas by becoming members of professional communities brought together in knowledge networks. The combination of thematic knowledge networks and the nine SURFs in key regional centres have enabled UNDP staff to have greater access to timely policy advice, engage in forums and discussions and share their expertise with colleagues from other bureaux. Internal surveys have shown that those networks are bringing staff together as communities of practice, building professional competencies and strengthening bonds across geographical and organizational boundaries. The transformation has created a totally new "business line" for UNDP – in addition to contributing financial resources to programme country Governments, UNDP is now in a position to provide timely, high-quality, knowledge-based advisory services. In the area of crisis prevention and recovery, soon after upgrading the former Emergency Response Division to full bureau status, UNDP assumed an unprecedented role in Afghanistan, contributing to bringing the entire United Nations system together around a single coherent strategy in line with the vision of the Secretary-General.

7. From a risk-averse culture, UNDP has evolved into a more opportunity-driven organization, resulting in a trail-blazing array of partnerships with more than thirty foundations on every continent, including the African Capacity Building Foundation, the Arab Fund for Social and Economic Development, the Coca Cola Foundation, the Ford Foundation, the Rockefeller Foundation, the Soros Foundation and the United Nations Foundation. The working relationship with the World Bank has also improved, particularly in the areas of joint needs assessments and the poverty reduction strategy paper (PRSP) process. UNDP has also placed a specific emphasis on developing its relationship with the regional development banks. Closer dialogue and cooperation have been established with the African Development Bank and the Asian Development Bank, formalized through memoranda of understanding signed with each institution. A specific agreement on development services is being finalized with the Inter-American Development Bank.

8. Internally, dialogue has taken place with United Nations organizations to provide active support to the harmonization and simplification agenda of the United Nations Development Group (UNDG), especially with respect to harmonizing personnel, financial and programming policies. Partnerships have been entered into that can serve to achieve the goals articulated in the Business Plans while opening up opportunities for programme countries. A partnership survey conducted in all countries where UNDP is present confirms the positive and improving perception of UNDP on the part of both programme country Governments (75.27 per cent identify UNDP as a valuable partner) and United Nations, Bretton Woods institutions, bilateral and other partners (65.4 per cent give a favourable rating to the effectiveness, competence, skills, response time and knowledge of UNDP).

9. While internal restructuring resulted in a more responsive Strategic Management Team within a leaner and more efficient headquarters structure, UNDP also re-aligned its entire staff profile. Since 1999, the attrition rate of the international professional workforce has been estimated at 33 per cent and its average age has declined. For the same period, about 45 per cent of all D1s and 51 per cent of all D2s are newly appointed. A major re-profiling exercise took place in all country offices and headquarters bureaux, coupled with a redefinition of jobs and functions throughout the organization. The main focus of the workforce renewal exercise was to balance the need to recruit staff fitting the new profile while retaining staff having a proven performance record. UNDP deepened its competency-based approach, which aims at matching people with functions. Despite these profound changes, staff confidence in the future of the organization and the reform agenda improved significantly, as was reflected in the 2000, 2001, and 2002 Global Staff Surveys. The alignment of competencies with needs was implemented at all levels. In particular, an assessment centre, administered by an outside firm, was launched to evaluate candidates from the entire United Nations system for resident representative/resident coordinator positions and provide them with feedback on the management and leadership competencies deemed necessary for senior positions. For the first time ever in the United Nations system, this competency-based, objective assessment tool was used to evaluate not only new candidates but also current and former resident representatives. This learning initiative is innovative in that it shapes staff skills to meet the needs of the organization while putting senior management in a mentoring role.

10. Another unique approach to continuous learning has been the Virtual Development Academy (VDA), which now boasts 87 graduate staff members. The

VDA was established in May 2001 as a key element of the Business Plans 2000-2003 to facilitate the change process. The VDA distance-learning programme, which offers one-year on-line courses to selected staff members, is an important building block for strengthening the profile of UNDP staff and contributing to the development of UNDP as a learning organization. It aligns UNDP staff profiles with evolving organizational needs, increasing their professional knowledge and competencies in UNDP thematic priority areas so that they are better able to contribute substantively as members of practice communities and enhance the organization's overall policy and operational capacity.

11. The organization's culture of performance and accountability has been reinforced. Overall, the work environment has become one where leadership management is more performance driven. Implementation of the strategy is measured using a balanced scorecard. On the development effectiveness side, results-oriented annual reports are prepared each year and presented to the Executive Board at its annual session. A more systematic performance rating of all managers was introduced, drawing a on a wide range of data that included balanced scorecard information, corporate surveys and results-oriented annual reports. Staff performance has been continuously evaluated through the Results and Competency Assessment instrument, which was redesigned to better define competencies required to achieve results. The 360-degree feedback system, designed to strengthen performance and accountability by giving staff a formal mechanism through which to channel upward feedback to their supervisors, was introduced and implemented at headquarters and in many country offices.

12. The transformation of UNDP culminated in the adoption of the new brand, which was formally unveiled at the World Summit on Sustainable Development (WSSD) in Johannesburg in September 2002. The purpose of the new UNDP brand is to represent the organization's integral connection to the United Nations and its profound commitment to the broader goals set forth in the Charter. The result is that UNDP, the global development network of the United Nations, is now better placed than ever to lead a concerted effort to help developing countries to meet the MDGs. In doing so, UNDP will succeed in its primary mission of helping people everywhere to build better lives for themselves and their families.

13. One of the assumptions of the Administrator's Business Plans 2000-2003 was that a strengthened policy and partnership capacity, coupled with enhanced staff competencies and greater efficiency, would result in increased funding and the expansion of the organization's resource base for development services. Realistic considerations reduced the initial multi-year funding framework (MYFF) targets for regular (core) resources to $900 million in 2003. While this target has not been achieved, the downward trend in core resources has been reversed and the organization has been able to sustain its increase in other (non-core) resources.

II. Specific achievements in 2002

14. In 2000, most of the efforts were devoted to laying the foundations for making transformation possible, including changes in corporate leadership with an emphasis on restructuring and downsizing of headquarters, team-building and establishing a performance-based culture. In 2001, efforts were directed towards institutionalizing

change and implementing it throughout the organization, with a special focus on improving performance in country offices.

15. With the internal reform of country offices and the re-profiling of headquarters units completed, efforts in 2002 focused on institutionalizing practice areas, building partnerships and crystallizing commitment to the MDGs. Critical internal issues were also addressed regarding staff capacity, learning, and performance accountability, including investing in information and communication technology. In that regard, a new ICT platform was purchased, which will bring much-needed flexibility to the organization in the area of knowledge management and resource allocation.

A. Policy

16. *Institutionalization of practices.* As part of the transformation to strengthen policy capacity in the organization, knowledge-based advisory services have been introduced in programme countries in an effort to contribute substantively to countries' development dialogue. In 2002, emphasis was placed on sharpening the focus of UNDP around the six practice areas throughout the organization. Staff have been encouraged to join the practices and UNDP senior management have been assigned specialist roles in the practice architecture. A series of thematic trust funds, financed by special donor contributions, were successfully launched to support the new practice areas directly and, through country-based strategic interventions, to align non-core spending more closely with corporate priorities. A pilot initiative began with democratic governance, which organized its knowledge-building activities around four sub-practices (legislatures and electoral systems; decentralization and local governance; access to justice and human rights; and public administration and anti-corruption). In its first phase the Governance Trust Fund, funds were allocated to 71 country programmes and two regional programmes and a Thematic Facility in Oslo was established. Over the year, all practices followed the lead of democratic governance, holding agenda-setting workshops, enhancing communication and knowledge-sharing efforts, sharpening advocacy tools, building partnerships in the professional community, and defining ways in which to deliver services more effectively in their respective areas. By December 2002, a total of 1 800 staff members (48 per cent of them country office national staff) had joined at least one of the practice areas.

17. *Working as a global network.* UNDP knowledge networks, which began three years ago, are the backbone of the organization's transformation to a knowledge organization. Before their introduction, country office staff could only rely on themselves to respond to questions from their government counterparts. Now, with the networks and the SURFs, country office staff are confident knowing that the full resources of UNDP are at their disposal – ready to help them to respond to any query. For example, when the Government of Tanzania asked the Resident Representative how best to strengthen the capacity of Zanzibar and mainland Statehouses to communicate to the public, 11 UNDP staff from across the globe offered the Resident Representative their knowledge, curriculum vitae of top experts and comparative experience – within the space of eight days. When Pakistan prepared its first national human development report (NHDR), the country office offered examples of ways in which 16 other countries had gone about preparing

theirs. When the UNDP position on support to poverty reduction strategy programmes was being developed, it drew on the views of over 30 staff members globally, thereby ensuring that the experiences and best practices from the field were well reflected. Today, UNDP comprises many communities, both in its practices areas and with regard to important sub-practice and cross-practice priorities, such as gender, micro-finance, NHDRs and the MDGs. Since their introduction, just prior to the Business Plans 2000-2003, over 3 000 subscribers have joined the major UNDP networks – 2 500 UNDP staff, plus 500 members from United Nations organizations and other external entities (mainly in the MDG and NHDR networks).

18. *Transformation to a knowledge organization.* The SURFs and networks do more than provide a forum for discussion and sharing of best practices in the various substantive areas of focus. In the first six months of 2002 (statistics are collected every six months), the SURFs and networks provided a total of 1 200 responses to queries. A total of 860 staff benefited from workshops or other community-building events. The SURFs contributed 730 person-weeks of policy support services to Governments through country offices. In addition, UNDP thematic facilities were established on democratic governance in Oslo and poverty reduction in Rio de Janeiro while the Drylands Development Centre in Nairobi became fully functional. These centres promote learning and global networking and facilitate the exchange of good practice through South-South cooperation, thereby expanding the knowledge base and capacities of developing countries to design and implement effective policies in their respective fields. On the whole, the SURFs and global networks have been very well received by staff members, who gave them an overall satisfaction rating of 3.8 out of 5.0 in a recent survey. Subscribers provided enthusiastic accounts of how their networks positively impacted their work and interactions with Governments. As a result of the Business Plans 2000-2003, it can truly be said that the transformation of UNDP to a knowledge organization is well underway.

19. *Re-branding UNDP.* Some audiences did not understand how UNDP had changed or the uniqueness of its role in human development. UNDP decided to do a better job of explaining who it was. Before introducing new communications to emphasize a common definition of UNDP and what makes it unique, an independent brand consultant conducted numerous interviews with UNDP staff, executive management, representatives of donor and client countries and other development organizations. The branding strategy -and the logo design process were refined after consultations with a wide range of stakeholder groups. Core branding messages were developed at all levels and at the same time, to symbolize this change, a new logo was introduced for use on all UNDP communications and programme materials, both in country offices and at headquarters. UNDP will now apply its brand perspective (UNDP is the global development network of the United Nations) to all its thinking and communications. This vision of UNDP, further articulated in its core branding messages, will shape not only communications, but the way in which UNDP conducts itself as an organization.

20. *Positioning UNDP in major conferences.* The International Conference on Financing for Development, which took place in Monterrey in March 2002, gave UNDP the occasion to reaffirm its central role as scorekeeper and campaign manager of the MDGs in its capacity as Chair of UNDG. The MDGs are not intended to burden developing countries with additional administrative tasks but rather to align political energy and public support for development. In August 2002

in Johannesburg, South Africa, UNDP participated in the World Summit on Sustainable Development (WSSD) in order to build on the achievements of the 1992 Earth Summit in Rio, which had set action plans for a safer, more prosperous and sustainable planet and other conferences in the 10-year period. UNDP reaffirmed its commitment to the energy and environment practice by focusing on the five key priorities for the WSSD (water, energy, health, agriculture and biodiversity) and the MDGs, working with grass-roots communities in their critical role of campaigning for the MDGs; facilitating South-South dialogue; and promoting capacity development. UNDP also announced the launching of an expanded programme focused more specifically on the 2015 target for reaching the MDGs, called Capacity 2015.

21. *Assistance to Afghanistan.* Since the Bonn Agreement of 5 December 2001, which established the Afghan Interim Authority (AIA), UNDP has committed itself to supporting the rebuilding of Afghanistan in a manner directed by the Afghan people themselves. The contribution of UNDP covered the establishment of the Afghan Interim Authority Fund (AIAF) to help AIA to meet its essential responsibilities in the first six months. That effort mobilized $75 million in 2002. UNDP also contributed to the provision of technical assistance to the administration (identifying experts for a civil service commission, setting up of a judiciary commission, etc.), the preparation of the national development framework, the implementation of quick-impact projects such as the Recovery and Employment Afghanistan Programme (REAP), ICT support to the administration, including the establishment of Internet access and networked workstations; the expertise drawn from the Afghan diaspora – using the transfer of knowledge through expatriate nationals (TOKTEN) programme to identify Afghans ready to contribute skills to the reconstruction effort.

22. *Arab Human Development Report.* The first *Arab Human Development Report* has (AHDR) received unprecedented attention and wide acclaim from Arab leaders, policymakers, donors and the international media. The report was also an item on the agenda of the most recent meeting of Arab foreign ministers and the King of Jordan has strongly endorsed the report as a primary source for the direction of development in the country. There has also been keen interest in the report at the international policy level. Some 10 UNDP offices in the region have reported that stakeholders from the Arab media, civil society and in some cases Governments are embracing the report's analysis and recommendations. In its regional programme, the Regional Bureau for the Arab States is currently working with the European Union to ensure additional funding for regional projects in governance and gender-oriented ICT. Work on the second AHDR, which should be out mid-2003 and focus on analysing and overcoming the knowledge deficit identified in AHDR 2002, has already begun.

B. Partnerships

23. *Scorekeeper and campaign manager for the MDGs.* To fulfil the role entrusted to UNDP, strong partnerships have been developed at the institutional and country levels. At the institutional level, the MDG Support Programme was formulated on the basis of the core United Nations strategy. To this end, the Millennium Trust Fund was established as the principal financing vehicle for the Support Programme, with

substantial support coming from ten bilateral donors and two foundations. Progress was made in 2002 on all components of the Programme and the Millennium Research Project was launched, under which top scholars and policy experts from developing and developed countries examine the policy, institutional and financial reforms needed to achieve the MDGs. Their first output will be integrated into the *Human Development Report 2003*, which will focus on the MDGs. Monitoring at the country level is gaining momentum. Twenty MDG reports have been completed and about 50 more are under preparation. Nearly every developing country should produce its first MDG report by the end of 2004. The Millennium Campaign is taking shape steadily. There was substantial outreach to Governments and civil society in both developed and developing countries, leading to a major upsurge in awareness and attention towards the MDGs. An innovative global media programme on the MDGs is about to be launched with the BBC Trust and 36 country offices were given small grants to launch awareness-raising and advocacy actions on the MDGs.

24. *United Nations Development Group.* Harmonization and simplification were important elements of the UNDP partnership with the United Nations Development Group (UNDG). Proposals for harmonized programming policy, from improved common country assessments (CCA) and the United Nations Development Assessment Framework (UNDAF) to programme implementation, monitoring and evaluation, were endorsed in 2002 and will be piloted in 2003. Perhaps the most important role of UNDP in UNDG has been the development and initial leadership of the MDG strategy.

25. *Strengthening strategic institutional partnerships.* The Business Plans 2000-2003 identified partnerships and networking as a top priority for the new UNDP. Building strong institutional links with key partners has gained greater importance in the context of the MDGs, the International Conference on Financing for Development, the WSSD and its follow-up. Close dialogue and cooperation were maintained with United Nations organizations. Relationships with the international financial institutions, including the Bretton Woods institutions and regional development banks expanded further. The poverty reduction strategy paper (PRSP) process was established as a key vehicle for cooperation. During the year, UNDP and the World Bank undertook several joint needs assessments in various countries, including Afghanistan. New partnerships have been established with the private sector, in particular in the context of the Global Compact launched by the Secretary-General. Relations with civil society organizations form a key part of the UNDP partnership agenda, in particular through the Advisory Committee established by the Administrator and thematic work in areas such as trade, transparency, and so forth.

26. *Supporting partnership development at the country level.* UNDP has launched a major corporate initiative to support country offices in their partnership work. This included the Partnership Facility, a flexible mechanism designed to promote innovative partnerships with civil society organizations, the private sector and Bretton Woods institutions at the field level. A total of 19 proposals were selected and supported in 2002. Other support services included direct support, twinning, training and exchange of experience across regions among UNDP country offices and key partners.

C. People

27. *Virtual Development Academy (VDA).* The high rate of participation, with 96 participants (out of 300 candidates) and 87 graduates in the first graduating class, and the impact of the VDA on the work of staff work only a year after its introduction proved very encouraging. The experience proved very positive for staff members: their understanding of the organization's vision, the objectives of the Administrator's Business Plans 2000-2003 and the linkages between the practices has increased. In 2002, resident coordinators were able to measure the contributions made by candidates who had participated in the VDA, and found that teamwork had improved overall as a result. The VDA has been recognized as a good practice among international organizations. In the light of this success, other United Nations organizations have expressed interest in adopting the VDA for their own staff. In 2003, five participants from other United Nations organizations will be selected to participate in the VDA.

28. *LEAD programme.* In 2002, 20 new candidates were selected to engage in the Leadership Development programme and receive training to become future leaders of UNDP. LEAD was launched in 2001 to bring in new blood and attract young talent to the organization. It has been a success so far. In 2002, as many as 4 000 candidates applied for LEAD 2003.

29. *Competency assessment*: Competency-based assessment was applied to all sitting resident coordinators and resident representatives and to all resident coordinator appointments. In 2002, 89 staff members (including UNDP, staff of United Nations organizations staff and external candidates) were evaluated at the resident Coordinator Assessment Centre.

30. *360-degree feedback.* This instrument helped modify hierarchical interactions. In 2002, resident representatives used 360-degree feedback in an innovative way before attending the first-time resident representative workshop, using it as a basis for their comprehensive feedback session. This exercise enabled the resident representatives to identify the gaps between their country office's performance and their own and make the appropriate adjustments.

31. *Global deputy resident representatives meeting.* The first ever such meeting was held in Bangkok, giving global focus and coherence to country office efforts and emphasizing the importance of managing from the middle.

32. *A leaner, more efficient UNDP.* The staff ceiling at headquarters was maintained, and openings resulting from the 22 per cent reduction in core country office staff reached as a result of the re-profiling were used to bring in a new generation of policy specialists and national staff.

D. Performance

33. *Enterprise Resource Planning (ERP).* In line with the new ITC strategy endorsed by the Strategic Management Team in January 2002, UNDP purchased the ERP software in June so as to enhance its ability to manage and coordinate financial, project and human resources information at every level across the organization. The ERP will eventually replace Integrated Management Information System (IMIS),

Financial Information Management (FIM) system, WinFOAS and the rest of the Country Office Suite, as well as at least a dozen other software applications currently in use at UNDP. The ERP is fully compatible with the practice- and results-driven organization that UNDP has become. It can also help to introduce more flexibility, especially in the budget allocation process. An implementation group with strong representation from country offices is now at work, and a PeopleSoft prototype is operating satisfactorily, while an assessment of lessons learned has been conducted. An outside vendor has been selected to assist with the implementation and has already started. UNDP is on schedule and on budget to roll out on 1 January 2004. It is rare for an organization to implement so many ERP modules at the same time and it is unheard of to roll out an ERP in so many countries. But UNDP is trying to complete all this implementation procedure in the course of one year. It is the aim of UNDP to become an example of an international best practice through this project. The scope of the initial rollout has been firmed up. The first wave of implementation focuses primarily on the front line of operations in country offices and on similar functions at headquarters. It should be noted that projects of this type are fraught with risks and require the attention of senior management.

34. *UNDP Portal.* Work began on making basic UNDP information and knowledge resources easily accessible through the introduction of a Portal to replace the current Intranet. A new revamped and simplified taxonomy (for indexing knowledge and information) was launched, incorporating user feedback from the past four months. This, together with simplified user interfaces and navigation, will lead to an improved user experience on the Portal. The PeopleSoft rollout will provide an opportunity to enhance the functioning of the Portal in 2003.

35. *Performance management.* The development by UNDP of a balanced scorecard (the Management Results Framework) to translate strategy into a coherent set of performance measures for both country offices and headquarters units has been receiving recognition as a best practice. United Nations organizations are turning to UNDP for advice on how to implement a balanced scorecard. UNDP has entered into a partnership with the African Development Bank to help them to develop their own balanced scorecard to implement their new strategic plan. The above activities position UNDP at the cutting edge of business management practices.

E. Resources

36. *Core resources.* While income data for 2002 are still being finalized, the upward trend that began in 2001 has continued into 2002 and is projected to be maintained and increase in 2003. The level of growth in core resources nevertheless remains significantly below that required to put UNDP core resources on a sound and sustainable footing.

37. *Other resources.* Other (non-core) resources are also expected to have grown, both in terms of those resources made available by programme countries, channelled through UNDP in support of their own development efforts, and those of third-party funding from bilateral Governments, the European Commission and others, in support of programmes and projects.

38. *Resource mobilization.* UNDP is working intensively across regions to build internal office capacity to engage effectively with external partners, particularly in the least developed countries, with the objective of enhancing the impact of its development programmes and mobilizing sufficient resources to deliver on the goals set within the context of the multi-year funding framework.

III. Next steps

39. The Strategic Management Team recently met for two days to agree on the organization's corporate priorities for 2003 and to discuss how UNDP should move forward. Based on the positive feedback received in 2002 from both donor and programme country Governments, who believe UNDP is moving in the right direction, UNDP decided to hold the course in 2003 and retain the four priorities of 2002, namely, the practice areas; the MDGs; performance and staff development, and the new ICT platform. Two further priorities were added: United Nations reform, to ensure that UNDP fully supports the ambitious agenda of the Secretary-General for further change; and resources, to ensure that UNDP has sufficient funds to do its work. These priorities were reflected in the Corporate Planning Exercise that concluded in December 2002 to coincide with the budget allocation process. In each of the six areas, the emphasis is being placed on integration.

40. The year 2003 is another critical year in the transformation of UNDP into a knowledge organization. With the basic infrastructure now in place, the focus can turn to developing value-added content in terms of sharper, innovative products and services that country offices can contribute to national priority programmes in full confidence that they are drawing from the very best intellectual contributions and experience that the global development community has to offer. In the practice areas, UNDP intends to broaden its global network so that clients anywhere within UNDP, in programme countries, United Nations organizations and the wider development community can benefit from the knowledge, expertise and experiences shared. UNDP will continue to elaborate concrete service lines and mobilize funds for the thematic trust funds in order to support them in all practice areas, thereby ensuring that interventions in support of country offices are more strategic. UNDP results-based management, talent management, and cost-sharing systems will be improved so that they can adequately reflect the new practice orientation; a more consistent thematic trust fund allocation process will also be introduced. Efforts will intensify to bring about the cultural change in every country office and headquarters unit needed for UNDP to become a truly practice-driven organization.

41. Building on the tremendous achievements of 2002, the crisis prevention and recovery practice will be the object of special focus in 2003. Unfortunately, the number of fragile countries is likely to increase in 2003. UNDP will need to improve its staff- surge capacity for country offices needing extra manpower in crisis situations. As UNDP discussed specific situations around the world, some common tasks emerged: helping to build multi-stakeholder consensus (and support moderate voices) through dialogue and assuring the delivery of basic social services, which might be threatened by economic or violent crises or by natural disasters.

42. In 2003 and subsequent years, virtually every aspect of the organization's work will be affected by the MDGs. In 2003, UNDP will focus on (a) capturing results at

the country level: UNDP must keep up the current pace and continue to improve the MDG reporting process, product and follow-up so that MDG reports become an advocacy tool; (b) involving United Nations country teams in spreading awareness within the system and around the world and making them an integral part of the work of the United Nations system in the field; (c) developing capacity for monitoring and analysis using the MDG 101; (d) promoting national ownership as a trusted development partner, UNDP can help by creating a space for political consultations on how to express national priorities in terms of quantifiable MDG targets, and by providing the basic information so that all the actors can participate meaningfully in the consultative process; (e) cooperating with the World Bank and regional development banks, and (f) aligning policy and programme work to reflect the importance of our new MDG mandate.

43. In the area of performance and staff development, the emphasis will be placed on the integration of performance planning, measurement and accountability. Learning strategies will play a greater role in performance strategies. Knowledge-sharing and contributions to knowledge networks will be reflected in performance assessments and the practice areas will be reflected in staff career paths. Gender demographics at UNDP are still not where we want them to be in the upper-level professional posts and further actions are needed. UNDP will encourage a more flexible use of posts and staff time so that human resources can be deployed quickly when and where they are needed.

44. The corporate ICT strategy is rapidly being implemented, but UNDP still faces considerable challenges in deploying a better ICT platform. A project of this magnitude and complexity has never before been implemented in the United Nations system, and success depends critically on timely decisions with respect to reengineering and simplification. There is also an urgent need to simplify the organization's business processes and update its policies and procedures so that UNDP can make the most of what PeopleSoft has to offer. After many years of under-investment in this area, UNDP will have to play catch-up at headquarters and in most country offices. Connectivity, training and data-preparedness remain top priorities for every office and unit. The first wave of implementation will contain the building blocks for results-based planning and monitoring, as well as for the systematic linking of results and costs. This will underpin the analysis that UNDP associates with results- based management, including the new SRF, which will be simplified and better aligned with the practice areas. In terms of the rollout schedule, a phased approach will be followed. Eight pilot areas have been selected: Panama, Malaysia, India (UNFPA focus), Bratislava (SURF), Egypt, South Africa, Mali and technical cooperation among developing countries (TCDC). The pilot offices will host and conduct activities during the implementation phase that will allow a team to determine areas needing improvement and take corrective measures. The pilots' business requirements will serve as a baseline for the rollout to the remaining country offices and headquarters units. Implementation of key Portal applications, addressing the knowledge management component of the ICT strategy, will continue so that the Portal can become an effective repository for knowledge and best practices.

45. On United Nations reform, UNDP should make every effort to support the Secretary-General, who has made this issue a top priority for his second term. He has called, in particular, for simplification and harmonization of the programme implementation modalities of United Nations organizations at the country level so as

to make collaboration with host-country Governments more effective and to increase aid effectiveness. At the centre of the simplification agenda is the common concern to focus on results and reduce transaction costs for national partners. One proposal now being developed is to reach a common understanding of national execution for each country, based on an assessment of national capacity. A common approach to programme and project planning and implementation, including joint monitoring and evaluation, will also be considered.

46. The year 2003 is the final year of the Business Plans 2000-2003. With their simultaneous conclusion and the preparation of the MYFF 2004-2007 process, the biennium budget for 2004-2005, and the design of the new Enterprise Resource Planning System, UNDP will further align its global and country programmes with its practice areas, business processes, resource mobilization and advocacy efforts to ensure that each complements the others in a focused and strategic manner. The investments made in UNDP through the Business Plans should now begin to be institutionalized. Every investment project, if successful, has recurrent cost implications; the Business Plans are no exception. The biennium budget for 2004-2005 will reflect where investments made are worth the increased benefits in the value of UNDP as a provider of timely, high-quality, knowledge-based services to its programme country clients.

47. UNDP will make further efforts in 2003 to strengthen its external partnerships and widen its geographical coverage with a view to enhancing the development impact of its work and raising the resources required to meet expectations and fulfil the demands of programme countries.